



Financial Results for the Three-Month Period Ended June 30, 2023 [Japan GAAP] (Consolidated)

August 8, 2023

Company Name: Honyaku Center Inc.

Exchange listed on: Tokyo Stock Exchange

Securities Code: 2483 URL <https://www.honyakuctr.com>

Representative: (Title) President

(Name) Shunichiro Ninomiya

Contact: (Title) Administrative and Accounts Director

(Name) Masashi Uotani TEL. 06-6282-5013

Scheduled date for submission of quarterly report: August 10, 2023

Scheduled commencement date of dividends payment: -

Preparation of supplementary materials for quarterly report: None

Convening quarterly results briefing: None

(Amounts rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders	
	million yen	%	million yen	%	million yen	%	million yen	%
Three-month period ended June 30, 2023	2,578	3.9	167	1.0	178	5.7	117	8.5
Three-month period ended June 30, 2022	2,480	0.6	165	(7.6)	168	(2.9)	108	(3.4)

(Note)

Comprehensive income: Three-month period ended June 30, 2023 118 million yen [1.9%]

Three-month period ended June 30, 2022 115 million yen [(2.3)%]

	Net income per share	Net income per share – diluted
	Yen	Yen
Three-month period ended June 30, 2023	35.18	-
Three-month period ended June 30, 2022	32.45	-

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three-month period ended June 30, 2023	7,345	5,641	76.8
Fiscal year ended March 31, 2023	7,486	5,672	75.7

(Reference)

Shareholders' equity: Three-month period ended June 30, 2023 5,641 million yen

Fiscal year ended March 31, 2023 5,672 million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	45.00	45.00
Fiscal year ending March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2024 (forecast)	-	0.00	-	50.00	50.00

(Note) Revision of the dividend forecast released most recently: None

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)
(Percentages represent changes from the previous year for full year, and on a year-on-year basis for quarterly results.)

	Net sales		Operating income		Ordinary income		Net income attributable to the parent company's shareholders		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Q2 (cumulative)	5,500	4.9	410	5.3	420	7.4	280	7.9	83.87
Full year	11,550	5.5	1,000	7.6	1,020	6.1	700	1.9	209.56

(Note) Revision of the consolidated results forecast released most recently: None

*Notes

(1) Changes in major subsidiaries during the period under review (Change in specific subsidiaries resulting in a change in scope of consolidation): None

Newly consolidated: - company (companies) (company name)

Excluded: - company (companies) (company name)

(2) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements: Yes

(3) Change in accounting policies or estimates and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: None

2) Change in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

Three-month period ended June 30, 2023	3,369,000shares	Fiscal year ended March 31, 2023	3,369,000shares
Three-month period ended June 30, 2023	32,222shares	Fiscal year ended March 31, 2023	32,222shares
Three-month period ended June 30, 2023	3,336,778shares	Three-month period ended June 30, 2022	3,331,078shares

2) Number of treasury shares at the end of the period

3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)

* Quarterly financial results are not subject to quarterly reviews by a Certified Public Accountant or audit firm.

* Explanation of appropriate use of the financial forecast and other special remarks

The forward-looking statements, such as the financial forecast, provided in this material are based on information currently available to Honyaku Center Inc. (the "Company") and certain assumptions that the Company believes are reasonable, and are not intended as a guarantee that the Company will achieve the same. In addition, actual results, including financial performance, may significantly differ due to various factors. For assumptions for operating results forecasts and points to consider in utilizing them, please see "1. Qualitative Information on Quarterly Financial Results under Review, (3) Explanation of future forecast information such as consolidated financial results forecasts" on page 3 of the attachments.

○ Table of Contents of Attachments

1. Qualitative Information on Quarterly Financial Results under Review	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of future forecast information such as consolidated financial results forecasts	3
2. Quarterly Consolidated Financial Statements and Key Notes	4
(1) Quarterly consolidated balance sheet	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	5
(Quarterly consolidated statement of income)	
(Three-month period)	5
(Quarterly consolidated statement of comprehensive income)	
(Three-month period)	6
(3) Notes to quarterly consolidated financial statements	6
(Notes to assumptions for going concern)	6
(Notes when there is a significant change in the amount of shareholders' equity)	6
Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements	6
(Segment information)	7

1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

Concerning the financial results for the three-month period under review, there were signs of moderate improvement in the Japanese economy as various restrictions to deal with the novel coronavirus (COVID-19) were relaxed. However, there were concerns over a downturn of the global economy due to factors such as increasing geopolitical risks, soaring raw materials prices, rising prices and global monetary tightening, and thus the outlook of the Japanese economy remains uncertain.

Under these circumstances, the Group, based on the Medium-Term Management Plan, a three-year plan starting in the fiscal year ended March 31, 2023, aimed for sustainable growth in its core Translation Business, and strove to capture the demand for translation and interpretation accompanying corporate global expansion by actively utilizing the latest technologies, such as translation support tools and machine translation.

As a result, for the three-month period under review, the Honyaku Center Group (Group) posted net sales of 2,578 million yen, up 3.9% on a year-on-year basis; operating income of 167 million yen, up 1.0% on a year-on-year basis; ordinary income of 178 million yen, up 5.7% on a year-on-year basis; and net income attributable to the parent company's shareholders of 117 million yen, up 8.5% on a year-on-year basis. This performance was due to steady growth of the Translation Business, which is the core business, in addition to a recovery in the Temporary Staffing Business and growth of the Interpretation Business.

The Group's business performance by segment is as follows.

1) Translation Business

In the Patent field, net sales increased by 13.8% on a year-on-year basis to 719 million yen due to strong orders from patent firms, one of the major customers of the Group, and intellectual property departments of corporations, continuing from the previous fiscal year. In the Medical field, net sales declined by 5.4% on a year-on-year basis to 618 million yen as a result of lower orders from contract research organizations (CRO) as well as sluggish growth of orders from domestic pharmaceutical companies, in spite of strong growth in orders from foreign pharmaceutical companies. The Industrial & Localization field saw strong demand from the manufacturing industry, such as automobile and machinery fields, but orders from the non-manufacturing industry remained low. As a result, net sales remained almost the same with a decrease of 0.0% on a year-on-year basis, at 461 million yen. In the Finance & Legal field, net sales increased by 17.6% on a year-on-year basis to 180 million yen due to an increase in orders from administration departments of corporations in addition to strong orders for IR documents given the growing momentum for disclosure of English documents by listed companies.

As a result, net sales of the Translation Business were 1,979 million yen, up 4.1% on a year-on-year basis.

2) Temporary Staffing Business

In the Temporary Staffing Business, in which the Company dispatches staff with strong language skills, net sales amounted to 298 million yen, up 7.9% on a year-on-year basis, because the number of staff under regular employment exceeded the same period of the previous year due to an increase in new orders.

3) Interpretation Business

In the Interpretation Business, net sales increased by 12.6% on a year-on-year basis to 207 million yen due to the Group's winning of large spot projects from precision equipment manufacturers, in addition to strong orders from financial institutions, pharmaceutical companies and precision/telecommunications equipment manufacturers, one of the major customers of the Group, and an increase in orders from foreign consulting firms.

4) Convention Business

In the Convention Business, net sales decreased by 50.6% on a year-on-year basis to 7 million yen because orders for international conferences and various exhibitions declined due to fiercer competition.

5) Other

In the Other segment, net sales amounted to 104 million yen, up 0.5% on a year-on-year basis, due to factors including low enrollment for spring regular courses of the interpreter and translator school ISS Institute, Inc., in the Language Education Business, in addition to the sluggish sales of FIPAS Inc., which provides support for foreign patent applications, including the preparation of patent specifications and the application process.

(2) Explanation of financial position

(Assets)

Current assets as of the end of the first quarter under review were 6,470 million yen, down 140 million yen compared with the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable - trade as a result of collecting fees in the Translation Business. Non-current assets were 874 million yen.

As a result, total assets were 7,345 million yen, down 141 million yen compared with the end of the previous fiscal year.

(Liabilities)

Current liabilities as of the end of the first quarter under review were 1,502 million yen, down 115 million yen compared with the end of the previous fiscal year. This was mainly due to a decrease in provision for bonuses. Non-current liabilities were 201 million yen, up 5 million yen from the end of the previous fiscal year.

As a result, total liabilities were 1,704 million yen, down 109 million yen compared with the end of the previous fiscal year.

(Net assets)

Net assets as of the end of the first quarter under review were 5,641 million yen, down 31 million yen compared with the end of the previous fiscal year. This was mainly due to dividends of surplus.

(3) Explanation of future forecast information such as consolidated financial results forecasts

For the financial results forecasts for the fiscal year ending March 2024, there is no change in the consolidated financial results forecasts for the six-month period as well as for the full year disclosed in “Financial Results for the Fiscal Year Ended March 31, 2023” released on May 11, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Thousand yen)

	Previous fiscal year As of March 31, 2023	First quarter under review As of June 30, 2023
Assets		
Current assets		
Cash and deposits	4,133,859	4,287,414
Notes and accounts receivable - trade, net	2,172,330	1,740,941
Work in process	150,234	252,004
Other	154,701	190,025
Total current assets	6,611,126	6,470,386
Non-current assets		
Property, plant and equipment	36,656	35,254
Intangible assets	46,555	43,071
Investments and other assets	792,476	796,384
Total non-current assets	875,688	874,710
Total Assets	7,486,815	7,345,097
Liabilities		
Current liabilities		
Accounts payable - trade	772,164	767,019
Income taxes payable	113,490	77,883
Refund liability	3,243	1,448
Provision for bonuses	292,532	139,619
Other	436,983	517,001
Total current liabilities	1,618,413	1,502,972
Non-current liabilities		
Provision for directors' retirement benefits	3,200	3,200
Retirement benefit liability	192,277	197,886
Total non-current liabilities	195,477	201,086
Total liabilities	1,813,891	1,704,059
Net assets		
Shareholders' equity		
Capital stock	588,443	588,443
Capital surplus	478,823	478,823
Retained earnings	4,642,907	4,610,145
Treasury shares	(79,267)	(79,267)
Total shareholders' equity	5,630,906	5,598,144
Accumulated other comprehensive income		
Foreign currency translation adjustment	44,195	44,935
Accumulated remeasurements of defined benefit plans	(2,178)	(2,042)
Total accumulated other comprehensive income	42,017	42,893
Total net assets	5,672,923	5,641,037
Total liabilities and net assets	7,486,815	7,345,097

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Three-month period)

(Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2022 to June 30, 2022)	Three-month period under review (From April 1, 2023 to June 30, 2023)
Net sales	2,480,715	2,578,647
Cost of sales	1,287,440	1,323,711
Gross profit	1,193,275	1,254,936
Selling, general and administrative expenses	1,028,050	1,087,919
Operating income	165,224	167,017
Non-operating income		
Foreign exchange gains	-	1,234
Share of profit of entities accounted for using equity method	7,118	9,335
Other	420	1,182
Total non-operating income	7,538	11,753
Non-operating expenses		
Foreign exchange losses	3,815	-
Other	0	41
Total non-operating expenses	3,815	41
Ordinary income	168,947	178,729
Extraordinary losses		
Loss on retirement of non-current assets	12	2,040
Total extraordinary losses	12	2,040
Net income before income taxes	168,935	176,689
Income taxes	60,837	59,296
Net income	108,098	117,392
Net income attributable to the parent company's shareholders	108,098	117,392

(Quarterly consolidated statement of comprehensive income)
(Three-month period)

(Thousand yen)

	Three-month period in the previous fiscal year (From April 1, 2022 to June 30, 2022)	Three-month period under review (From April 1, 2023 to June 30, 2023)
Net income	108,098	117,392
Other comprehensive income		
Foreign currency translation adjustment	7,526	740
Remeasurements of defined benefit plans	360	135
Total other comprehensive income	7,887	876
Comprehensive income	115,986	118,268
(Components)		
Comprehensive income attributable to the parent company's shareholders	115,986	118,268
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for ongoing concerns)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)

With respect to tax expenses, the Company reasonably estimated the effective tax rate after applying tax effect accounting to net income before income taxes in the fiscal year including the first quarter under review and calculated them by multiplying this estimated effective tax rate by net income before income taxes.

(Segment information)

I. Three-month period in the previous fiscal year (From April 1, 2022 to June 30, 2022)

1. Information on net sales, income or loss, and breakdown of revenue by reporting segment

(Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretatio n Business	Convention Business	Total		
Net sales							
Translation							
Patent	631,723	-	-	-	631,723	-	631,723
Medical	654,446	-	-	-	654,446	-	654,446
Industrial & Localization	461,559	-	-	-	461,559	-	461,559
Finance & Legal	153,542	-	-	-	153,542	-	153,542
Temporary Staffing	-	276,388	-	-	276,388	-	276,388
Interpretation	-	-	184,214	-	184,214	-	184,214
Convention	-	-	-	14,621	14,621	-	14,621
Other	-	-	-	-	-	104,219	104,219
Revenue from customer contracts	1,901,271	276,388	184,214	14,621	2,376,495	104,219	2,480,715
Other revenue	-	-	-	-	-	-	-
Sales to external customers	1,901,271	276,388	184,214	14,621	2,376,495	104,219	2,480,715
Intersegment sales or transfer	14,127	-	10,777	-	24,905	295	25,200
Total	1,915,399	276,388	194,991	14,621	2,401,401	104,514	2,505,916
Segment income (loss)	186,658	13,017	(3,960)	(22,858)	172,856	(9,159)	163,697

(Note) "Other" represents segments not included in reporting segments and includes the overseas patent application support business.

2. Difference between total income or loss of reporting segment and amounts reported in quarterly consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Thousand yen)

Income	Amount of payment
Reporting segment total	172,856
"Other" income	(9,159)
Elimination of intersegment transactions	1,526
Operating income in quarterly consolidated statement of income	165,224

II. Three-month period under review (from April 1, 2023 to June 30, 2023)

1. Information on net sales, income or loss, and breakdown of revenue by reporting segment

(Thousand yen)

	Reporting segment					Other (Note)	Total
	Translation Business	Temporary Staffing Business	Interpretation Business	Convention Business	Total		
Net sales							
Translation							
Patent	719,076	-	-	-	719,076	-	719,076
Medical	618,748	-	-	-	618,748	-	618,748
Industrial & Localization	461,385	-	-	-	461,385	-	461,385
Finance & Legal	180,674	-	-	-	180,674	-	180,674
Temporary Staffing	-	298,427	-	-	298,427	-	298,427
Interpretation	-	-	207,457	-	207,457	-	207,457
Convention	-	-	-	7,209	7,209	-	7,209
Other	-	-	-	-	-	85,669	85,669
Revenue from customer contracts	1,979,883	298,427	207,457	7,209	2,492,978	85,669	2,578,647
Other revenue	-	-	-	-	-	-	-
Sales to external customers	1,979,883	298,427	207,457	7,209	2,492,978	85,669	2,578,647
Intersegment sales or transfer	10,070	1,640	43,604	-	55,315	574	55,890
Total	1,989,954	300,067	251,062	7,209	2,548,294	86,244	2,634,538
Segment income (loss)	184,822	18,173	17,676	(21,093)	199,577	(33,477)	166,100

(Note) "Other" represents segments not included in reporting segments and includes the overseas patent application support business.

2. Difference between total income or loss of reporting segment and amounts reported in quarterly consolidated statement of income and major components thereof (matters concerning difference adjustment)

(Thousand yen)

Income	Amount of payment
Reporting segment total	199,577
"Other" income	(33,477)
Elimination of intersegment transactions	916
Operating income in quarterly consolidated statement of income	167,017